

DEC 16 1993

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

ORIGINAL

In the Matter of)

Inquiry into Policies and Programs)
to Assure Universal Telephone)
Service in a Competitive Market)
Environment)

RM-8388

COMMENTS

BellSouth Telecommunications, Inc. ("BellSouth") hereby submits its Comments on the Petition of MFS Communications Company, Inc. (MFS") for a Notice of Inquiry and En Banc Hearing.

MFS requests that the Commission initiate a notice of inquiry to determine future policies regarding the availability of universal telephone service and to convene an en banc hearing to obtain facts and proposals. While BellSouth supports the need for a Commission proceeding to determine whether changes are needed to the existing universal service support rules, BellSouth does not support the manner in which MFS suggests that the Commission should proceed and disagrees with many of MFS' specific comments and proposals.

Given the increasingly competitive access environment and the radical changes which are on the immediate horizon for telecommunications services in general, there is no question that the Commission should review the existing universal service support rules to determine whether

No. of Copies rec'd
List ABCDE049
CCB

modifications should be made to reflect the new and changing environment. As competition grows, as technology develops, and as new and additional telecommunications providers emerge, a primary goal of the Commission should be to assure that universal service is preserved. The Commission must review matters such as what constitutes "universal service," who should contribute toward universal service and under what circumstances, and who should be the recipients of that support and under what circumstances.

MFS states that the Commission should undertake a Notice of Inquiry on universal service and support issues prior to addressing access reform issues. It is of the utmost importance that the Commission reject this notion. It is apparent that MFS is simply attempting to delay proceedings on access reform in order to delay any changes to the existing regulatory rules which, in their current form, substantially benefit MFS because they restrict the ability of LECs to provide a meaningful competitive response to MFS. The Commission must proceed to review not only universal service matters, but also the existing access charge and price cap rules. Issues such as LEC pricing, earnings, and rate structure flexibility must be addressed without further delay. The Commission's proceedings on universal service, price cap review and access reform could most certainly be conducted concurrently in order to address interrelated issues. It should be recognized, however, that

the outcome of the Commission's proceedings on access reform and price cap review could well affect the approach the Commission would follow in addressing universal service. For example, were these proceedings to afford LECs sufficient flexibility in terms of pricing and service offerings, then the need for explicit Commission action on a large portion of the support issues encompassed in MFS' petition, such as implicit subsidy matters, might be obviated.

BellSouth takes specific exception to MFS' claims that LECs are responsible for having established the complex system of subsidies which currently exist or that it is used as a shield against competition. This simply is not the case. The subsidies which exist were created by regulators, not LECs, as a part of the pursuit by such regulators of several public policy goals, including the preservation of universal service. While generally appropriate and meaningful at the point in time created, the rules implementing these public policy goals have provided the very pricing umbrella and opportunity for competitive providers to emerge.¹

¹ BellSouth is pleased that MFS, at a minimum, recognizes that the allocation of joint and common costs to the various services with which they are associated is inherently arbitrary. MFS at n. 18. BellSouth submits that LECs should be permitted sufficient flexibility in pricing, earnings, and rate structure matters, to allocate such amounts to the extent possible based upon a maximum use of market forces.

BellSouth also takes exception to MFS' apparent lack of concern regarding rural areas. A substantial portion of BellSouth's service area is rural, and BellSouth knows that the rural areas cannot be left behind. Whereas there may be wealthy rural areas in some portions of some geographical areas throughout the country, in BellSouth's region there are far more poor rural areas than there are affluent rural areas. It should not go unnoticed that MFS and other alternative access providers have confined their service offerings to high volume, low cost service areas and customers and have undertaken no attempt to provide service in the more rural and higher cost areas or to low volume users of telecommunications services.

MFS's specific proposals for identifying, targeting and providing universal service funding, would appear to create an administrative nightmare. Obviously, any such proposals require close scrutiny not only for their consistency with the Commission's goal of preserving universal service but also with regard to the practicality of administering them.

As to the issue of who should be required to contribute toward the preservation of universal service, BellSouth agrees that all telecommunications providers should be required to fund explicit universal support mechanisms. Indeed, BellSouth would welcome the participation of service providers such as MFS which have traditionally avoided any obligation at all to contribute toward universal service.

While BellSouth philosophically agrees that support should be narrowly targeted, there may continue to be a need in certain high cost areas (which are generally the more rural areas) for support to be targeted to specific service providers. Thus, the overall existing universal service mechanisms may have continuing viability.

In conclusion, BellSouth agrees that a Notice of Inquiry on universal service funding is needed. Such a proceeding should not preempt a rulemaking on access reform and a comprehensive review of price cap rules, policies and mechanisms. Indeed, given the interrelated issues, the public interest would be served by conducting these proceedings concurrently. Such proceedings should recognize that competition is rapidly expanding in all areas of telecommunications, and that the solutions to the many complex issues faced by the Commission, including subsidies, must be dealt with expeditiously and must include market considerations.

BellSouth submits that if sufficient pricing, rate structure and earnings flexibility result out of access reform and the price caps review, then the need for the Commission to create new regulatory support mechanisms might be removed. In the meantime, BellSouth supports the call for a proceeding to re-examine all of the existing explicit subsidy flows and to expand the base of contributing

entities with the primary goal being to preserve universal service in the new competitive environment.

Respectfully submitted,

BELLSOUTH TELECOMMUNICATIONS, INC.

By: 

M. Robert Sutherland
Richard M. Sbaratta
Rebecca M. Lough

Its Attorneys

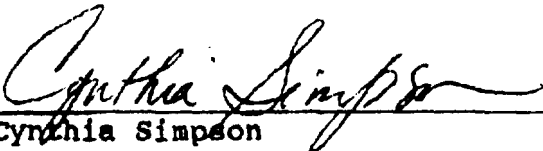
4300 Southern Bell Center
675 West Peachtree Street, N.E.
Atlanta, Georgia 30375
(404) 614-4907

DATE: December 16, 1993

CERTIFICATE OF SERVICE

I hereby certify that I have this 16th day of December, 1993 serviced the following party to this action with a copy of the foregoing COMMENTS by placing a true and correct copy of the same in the United States Mail, postage prepaid.

Swidler & Berlin
Andrew D. Lipman
Attorney for MFS Communications Company, Inc.
3000 K Street, NW
Suite 300
Washington, DC 20007


Cynthia Simpson